

# **CITY OF BELL FINANCIAL CONDITION REVIEW**



**PRESENTED BY  
COUNTY OF LOS ANGELES  
AUDITOR-CONTROLLER**



# CITY OF BELL FINANCIAL REVIEW

## BACKGROUND



- Directed by Supervisor Gloria Molina to conduct an independent financial review
- Based on concerns whether the City of Bell has the resources needed to provide current or core public services to its residents

# CITY OF BELL FINANCIAL REVIEW

## BELL RESIDENT CONCERNS



- My property tax rate is one of the highest in Los Angeles County, who is responsible for lowering my property taxes?
- Will the level of services provided by the City change in the future?
- Is my City government financially sound?

# CITY OF BELL FINANCIAL REVIEW

## STATE, COUNTY AND CITY GOVT RELATIONSHIPS



- The authority of state and county governments varies widely from state to state. In California, a Charter City, such as Bell, governs itself. In most respects, it is independent of County or State supervision.
- Cities and counties are separate legal entities. However, cities may contract with counties for specific services, such as fire services, animal care and control, etc.
- Cities may impose additional property taxes (most require voter approval). For example, Bell has voter approved property taxes to pay for General Obligation Bonds and employee retirement obligations. The County does not have authority over these taxes. The County is only responsible for assessing property values, applying the City Council/voter approved tax rates, and collecting and distributing the taxes.

# CITY OF BELL FINANCIAL REVIEW

## HOW WE DEVELOPED OUR ESTIMATES



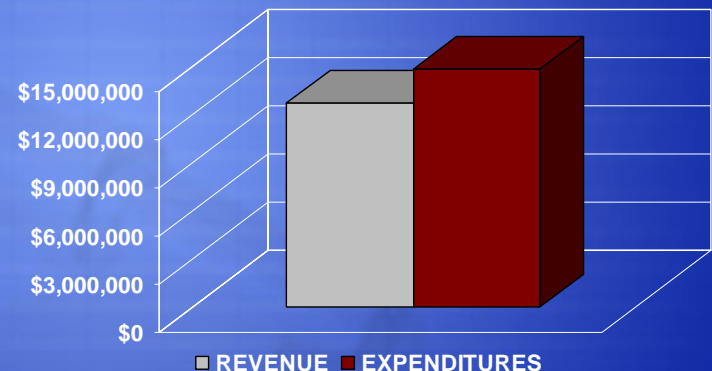
- Reviewed Bell's revenues & expenses for the last three fiscal years
- Interviewed Bell's management/staff
- Identified inappropriate revenues & expenses, eliminated or adjusted them, and moved them into proper funds
- Built up a reasonable revenue/expense projection

# CITY OF BELL FINANCIAL REVIEW RESULTS

## GENERAL FUND

### ESTIMATED REVENUE AND EXPENDITURES ALL CURRENT SERVICES

REVENUE	\$12,749,887
EXPENDITURES	<u>(14,905,562)</u>
DEFICIT	<u><u>\$ (2,155,675) (14.5%)</u></u>



NOTE: Bell's actual revenue and expenditures may be substantially higher or lower than our estimates due to issues such as unexpected/extraordinary costs, potential liabilities (e.g., lawsuits, etc.), and the fiscal practices of prior management.



# CITY OF BELL FINANCIAL REVIEW

## RESULTS – CONT.

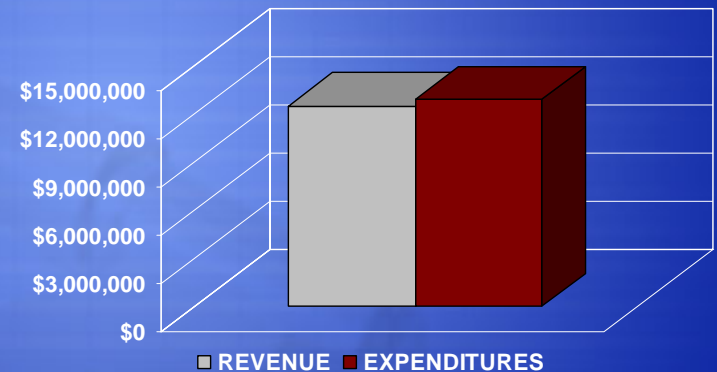


### GENERAL FUND

### ESTIMATED REVENUE AND EXPENDITURES

### CORE SERVICES

REVENUE	\$12,544,787
EXPENDITURES	<u>(12,968,627)</u>
DEFICIT	<u><u>\$ (423,840) (3.3%)</u></u>



NOTE: Core services include General Government, Public Safety and Public Works. Community Services (i.e., most Parks and Recreation activities) are excluded.

# CITY OF BELL FINANCIAL REVIEW

## REVENUE ANALYSIS

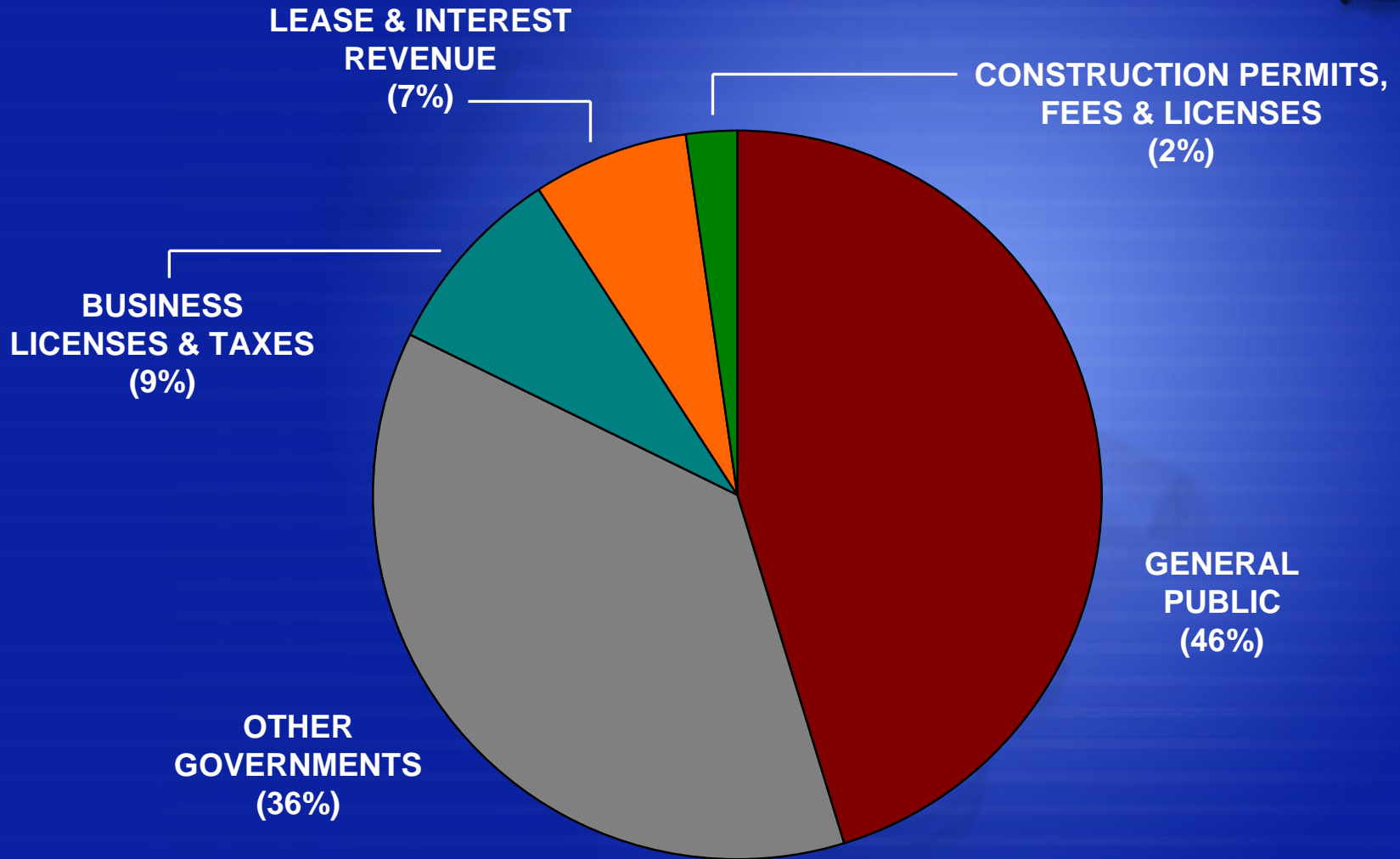


	ALL CURRENT SERVICES	CORE SERVICES
<b>GENERAL PUBLIC</b>		
UTILITY USER TAXES	\$2,498,802	\$2,498,802
PROPERTY TAXES	2,230,629	2,230,629
PARKING & VEHICLE CODE FINES	701,500	701,500
PARKS AND RECREATION	205,100	0
VEHICLE IMPOUNDS	176,000	176,000
OTHER	75,450	75,450
<b>TOTAL GENERAL PUBLIC</b>	<b>\$5,887,481</b>	<b>\$5,682,381</b>
<b>OTHER GOVERNMENTS (SALES TAX, VEHICLE LICENSE FEES, ETC.)</b>	<b>\$4,603,900</b>	<b>\$4,603,900</b>
<b>BUSINESS LICENSES &amp; TAXES</b>	<b>\$1,093,406</b>	<b>\$1,093,406</b>
<b>LEASE &amp; INTEREST REVENUE</b>	<b>\$870,500</b>	<b>\$870,500</b>
<b>CONSTRUCTION PERMITS, FEES &amp; LICENSES</b>	<b>\$273,800</b>	<b>\$273,800</b>
<b>MISCELLANEOUS</b>	<b>\$20,800</b>	<b>\$20,800</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$12,749,887</b>	<b>\$12,544,787</b>



# CITY OF BELL FINANCIAL REVIEW

## REVENUE ANALYSIS – CONT.



# CITY OF BELL FINANCIAL REVIEW

## REVENUE ANALYSIS – CONT.



The revenue estimates were based on eliminating the City's questionable past practices. As a result, the estimates for some revenue sources are significantly lower than what was received in prior years. For example:

	2008 ACTUAL	2009 ACTUAL	2010 ACTUAL	AUDITOR'S CURRENT ESTIMATE
VEHICLE IMPOUNDS	\$806,299	\$1,048,679	\$644,018	\$176,000
REGULAR BUSINESS LICENSES	\$823,000	\$643,879	\$547,284	\$360,000

# CITY OF BELL FINANCIAL REVIEW

## EXPENDITURE ANALYSIS



	ALL CURRENT SERVICES	CORE SERVICES
<b>GENERAL GOVERNMENT</b>		
SALARIES & EMPLOYEE BENEFITS (15 FULL-TIME & 5 FTE PART-TIME EMPLOYEES)	\$1,886,191	\$1,886,191
SERVICES & SUPPLIES	1,872,942	1,872,942
<b>GENERAL GOVERNMENT TOTAL</b>	<b>\$3,759,133</b>	<b>\$3,759,133</b>
<b>PUBLIC SAFETY</b>		
SALARIES & EMPLOYEE BENEFITS (SWORN) (33 FULL-TIME)	\$5,924,612	\$5,924,612
SALARIES & EMPLOYEE BENEFITS (NON-SWORN) (12 FULL-TIME & 1 FTE PART-TIME EMPLOYEES)	\$1,249,910	\$1,249,910
SERVICES & SUPPLIES	\$1,297,016	\$1,297,016
<b>PUBLIC SAFETY TOTAL</b>	<b>\$8,471,538</b>	<b>\$8,471,538</b>

# CITY OF BELL FINANCIAL REVIEW

## EXPENDITURE ANALYSIS – CONT.

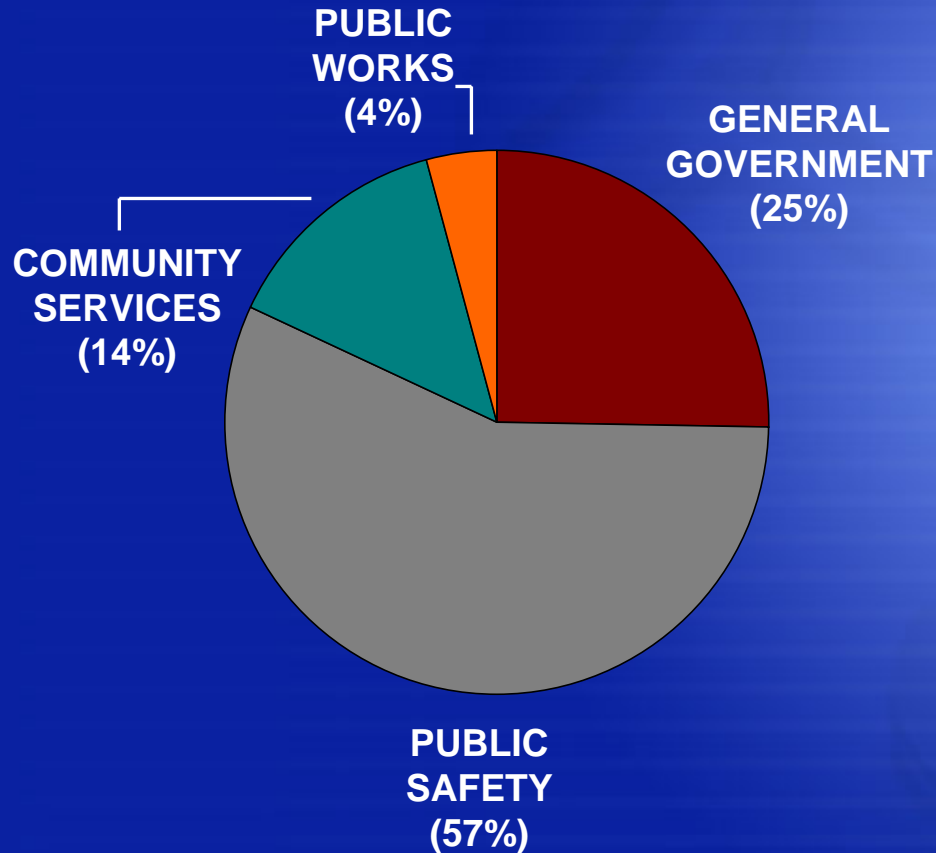


	ALL CURRENT SERVICES	CORE SERVICES
<b>COMMUNITY SERVICES (RECREATION)</b>		
SALARIES & EMPLOYEE BENEFITS (5 FULL-TIME & 32 FTE PART-TIME EMPLOYEES)	\$1,513,570	\$0
SERVICES & SUPPLIES	525,554	102,189
<b>COMMUNITY SERVICES TOTAL</b>	<b>\$2,039,124</b>	<b>\$102,189</b>
 <b>PUBLIC WORKS</b>		
SALARIES & EMPLOYEE BENEFITS (3 FULL-TIME)	\$222,426	\$222,426
SERVICES & SUPPLIES	413,341	413,341
<b>PUBLIC WORKS TOTAL</b>	<b>\$635,767</b>	<b>\$635,767</b>
 <b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>\$14,905,562</b>	<b>\$12,968,627</b>

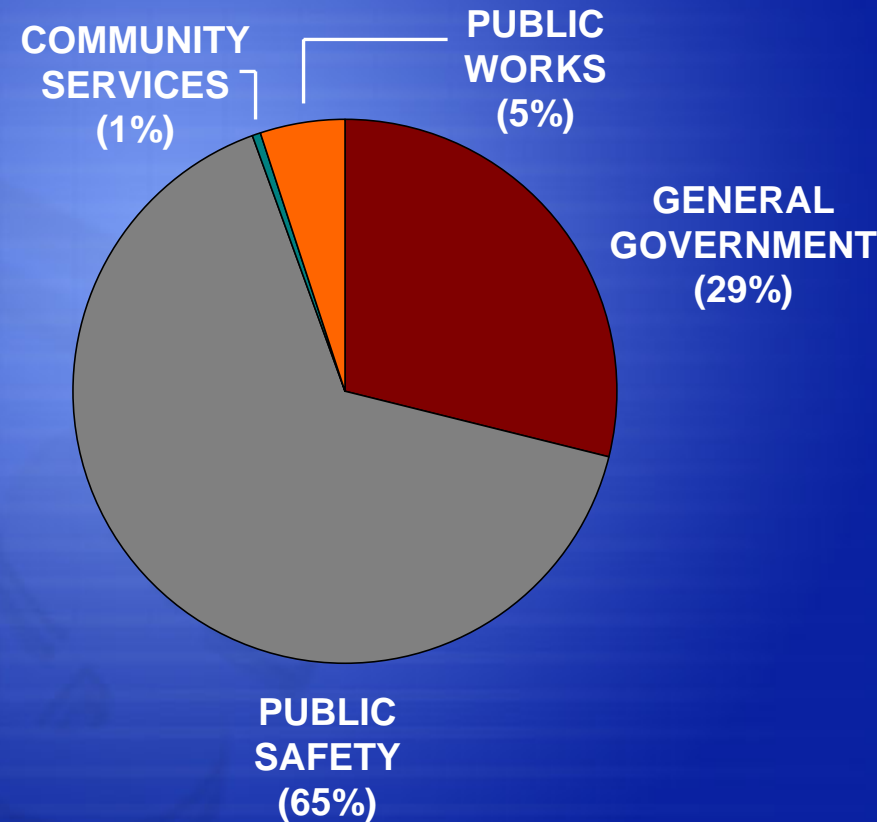
# CITY OF BELL FINANCIAL REVIEW

## PERCENTAGE OF EXPENDITURES BY SERVICE TYPE

ALL CURRENT SERVICES



CORE SERVICES

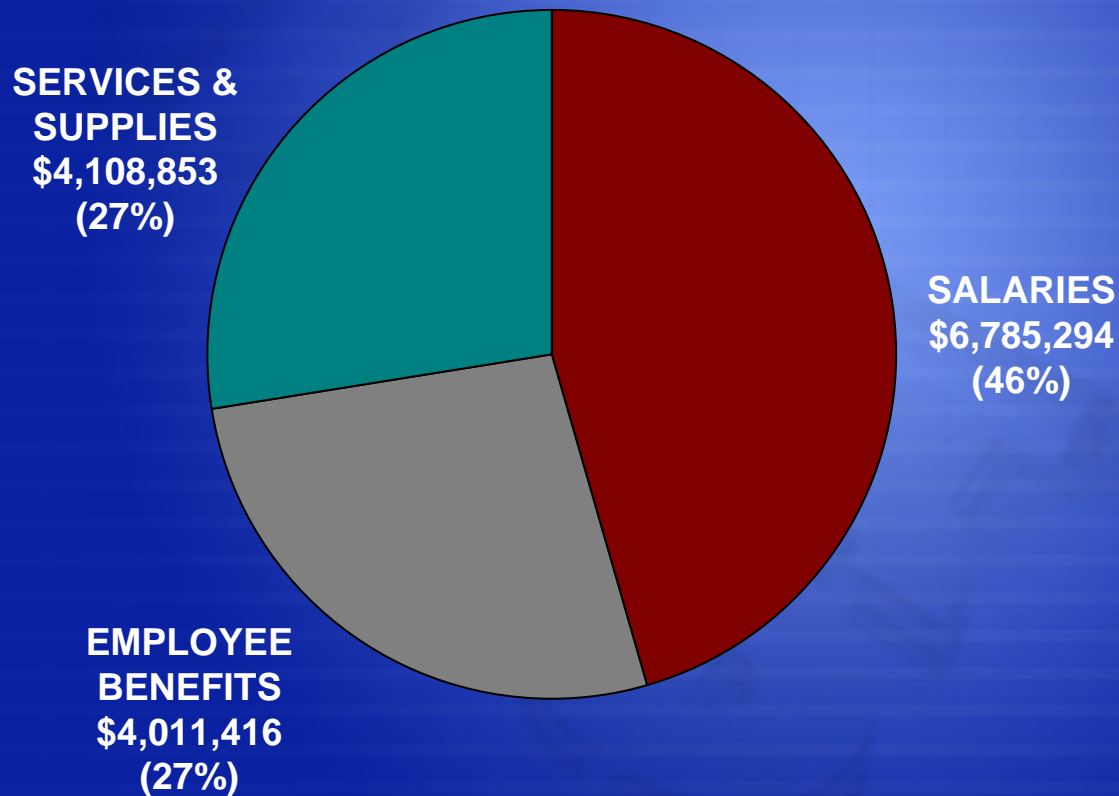


# CITY OF BELL FINANCIAL REVIEW

## PERCENTAGE OF TOTAL EXPENDITURES



### ALL CURRENT SERVICES





# CITY OF BELL FINANCIAL REVIEW

## SALARY CHANGES

Salary Changes: Auditor-Controller estimates eliminated the high salaries paid under the prior administration:

	PRIOR BASE SALARIES	NEW BASE SALARIES	
CITY MANAGER	\$703,000	\$250,000	
ASSISTANT CITY MANAGER	\$343,000	N/A	(Position Eliminated)
POLICE CHIEF	\$457,000	\$200,000	
DIRECTOR OF ADMIN. SERVICES	\$231,000	\$160,000	
COUNCIL MEMBERS	\$97,000	\$8,100	

NOTE: Includes only base salaries. Employee benefits and other related payouts are excluded.

Salary Analysis: The above reductions in salaries did not lower the City's General Fund salary costs because:

- Prior high salaries were paid/recorded under other City funds (\$3.6 million)
- The City incorrectly recorded employee benefit costs in prior years

# CITY OF BELL FINANCIAL REVIEW

## OTHER ISSUES



### CASH BALANCES

- Governments can use their available cash to offset deficits. However,
  - Bell has not reconciled the cash account in six months
  - City management estimated that they had a \$300,000 cash balance as of December 13, 2010
    - Not enough cash to offset the projected deficit

### OTHER UNCERTAINTIES

- Potential liabilities (e.g., lawsuits, etc.)
- Extraordinary/Unexpected costs

# CITY OF BELL FINANCIAL REVIEW

## CONCLUSION



- City Council/Management need to make some difficult cost saving decisions. Examples include:
  - Across-the-board cost reductions in salaries, employee benefits, services, and supplies (salaries and employee benefits are approximately 73% of total City expenditures)
  - Provide only core services
  - Contract for some City services
- The City can also take additional steps to further improve its financial condition. Examples include:
  - Build up City cash reserves over time “rainy day fund”
  - Evaluate other ways to bring in additional revenue (e.g., do more to attract businesses, leases, etc.)